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## Improving Government Business Support Measures at the Regional Level

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**Abstract:** The article examines a number of stimulating objectives of entrepreneurial activity, leading to improvement of the economic and social situation in the region, development of the middle class, as well as the performance of entrepreneurial activity. The purpose of this study is to develop proposals for improving the tools of state support for small business entities at the regional level. A wide range of services to support the development of small business in the region was analyzed. Successful implementation of the measures proposed in the article can be ensured only in the conditions of mutual interaction between state, regional and municipal authorities, social associations of business representatives, educational organizations, infrastructure facilities, including credit organizations. Effective mechanism of financial support for small businesses applied.

**Keywords:** region, entrepreneurship, individual entrepreneurship, government support for small businesses.

### Introduction

The division of enterprises into small, medium and micro-firms, adopted in many countries, as well as the application of the goals and principles of public policy towards small businesses in the practice of the republic is a novelty.

In accordance with the Law of the Republic of Uzbekistan "On Guarantees of Freedom of Entrepreneurship" of May 25, 2000, the definition of small and individual entrepreneurship, the goals and principles of public policy in relation to small businesses. This is the first time that the law uses quantities adopted in many developed economies. Thus, it will be possible to compare the small business of Uzbekistan with other countries (primarily economically leading countries: Europe, the United States, Japan, China). However, it should be borne in mind that the inclusion of business structures in small and medium-sized businesses may differ in different countries. In this case, it is advisable to use larger indicators to assess the performance of enterprises.

On November 6, 2021, at the inauguration ceremony of the President of the Republic of Uzbekistan Sh. Mirziyoyev, the re-elected President put forward the New Uzbekistan Development Strategy, which

includes the main priorities for the next five years. The third direction of the new development strategy of Uzbekistan - the priorities for the development of the national economy, its growth rates at the level of modern requirements - can be considered as an integral continuation of the reforms initiated within the priorities of the Action Strategy for economic development and liberalization.

In accordance with the new development strategy of Uzbekistan, further mobilization of available resources and opportunities in 2022-2026 will further increase the GDP per capita, and by 2030, the per capita income of Uzbekistan will increase. is intended to be among the countries above the average. This, in turn, will be achieved by stimulating and increasing the share of the private sector, attracting foreign direct investment and developing a cluster system in the driver industries. In particular, special attention was paid to the issues of further support for entrepreneurship, continuing reforms to create a business environment and the necessary infrastructure, halving poverty, and developing the regions and the agricultural sector.

### **Analysis of the literature on the subject**

The relevance of the topic is determined by the fact that today small business is one of the most important players in the economy. It covers a wide range of businesses and private entrepreneurs operating in the domestic market. Small business emerges as a numerous, dynamic and flexible form of business life, fulfilling a number of important socio-economic functions.

The study of the topic will first need to define the concepts of "entrepreneurship" and "small business". There are many definitions of entrepreneurship today. However, if we summarize the ways in which this concept is understood and applied, it will be possible to define its meaning more precisely. It is through business that one's interests are reconciled with those of society. Thus, entrepreneurship can be defined as an active and independent activity in the production of goods or services, carried out under the financial responsibility of the businessman and based on the combination of personal economic interests with the interests of society.

"Small business" means a high-risk business activity of a legal entity or an individual, the main purpose of which is to meet the criteria of profitability through the production of goods and services, as well as the inclusion of small business.

There are many approaches to systematizing "entrepreneurship" and its inclusion in small business. The most common of these aspects are:

- number of employees;
- amount of registered capital;
- Paid description of the enterprise;
- type of activity of enterprises.

The Boulton Commission (Matthew Boulton (1728 - 1809) - a business partner of the famous English industrialist James Watt) believes that there are three main characteristics or criteria for "small business":

- a limited sales market that does not allow the company to have a strong influence on the price and volume of goods, ie to establish a monopoly;
- legal independence - the owner manages the enterprise without the influence of complex management structures;
- the owner personally manages the small enterprise, he is free to make decisions and implement them.

According to the World Bank, the total number of indicators that businesses will include in small businesses will exceed 50. However, the above are the most commonly used criteria. In virtually all countries, the number of employees during the reporting period is a determining factor.

At the EU level, other indicators can be used to identify measures to support small businesses, while EU member states also use their own criteria to include small businesses. For example, the Organization for Economic Co-operation and Development (OECD), which includes highly developed countries, has reduced the number of employees to 19 to very small enterprises, 99 to small enterprises, 100 to 499 to medium-sized enterprises and It employs more than 500 people in large enterprises.

Small businesses play an important role in the economies of all countries around the world. In the last few decades (2000-2006), small businesses in Western Europe, the United States, and Japan have been concentrated in a large number of small and medium-sized enterprises. Most of them are small businesses with at least 20 employees. Small businesses account for two-thirds of new job growth, which has significantly reduced unemployment in these countries.

We will look at how developed economies incorporate businesses into small businesses, and what the global experience of small business is. In the UK, the inclusion of businesses in small businesses is based on turnover and the number of employees (varying sectors of the economy). Relatively small businesses include firms with 1 to 25 employees, while small businesses have between 25 and 99 employees. In the manufacturing industry, small businesses are those with less than 200 employees and an annual turnover of at least £ 400,000. Under the Companies Act, a small business in the UK must meet two of the following criteria: a maximum of \$ 2.3 million. turnover of more than a dollar; no more than 1.5 million dollar assets; Average number of people up to 50 people.

In France, the number of employed does not exceed 500 people, and the annual turnover before the payment of taxes, estimated at the time of closing the consolidated balance sheet, is 200 million. Businesses with less than \$ 1 billion are considered small businesses. Consequently, firm size is assessed differently in different sectors of the economy. If the largest companies in the agricultural and food industries employ more than 200 people, the number of employees in the equipment industry is limited to 500 people.

In Sweden, the system of incorporation of small businesses is similar to that of the French, but more indicators such as growth stages, network affiliation, geographical area of activity, specific characteristics of owners and managers (women entrepreneurs, foreigners), specific problems for enterprises types also apply. There is no specific definition of small business in Germany, but according to the classification of the Ministry of State Economy, small businesses include firms with up to 49 employees and an annual turnover of at least 1 million marks.

Small and medium-sized firms are firms that are legally managed by independent owners, are directly involved in production, bear full economic risk, and finance their operations without the need for credit.

In the United States, the federal law on small business stipulates that a small firm is a firm with one or more owners, no more than 50 employees, at least \$ 5,000,000 in assets, and \$ 2,000,000 in annual profits. Based on the number of employees employed, all businesses in the United States are divided as follows: Employed from 1 to 24 people - to relatively small businesses, to 25-99 people - to small businesses, to 100-499 people - intermediate , Up to 500-999 people - large enterprises with a number of employees of 1000 and more are included in larger enterprises.

It should be noted that the network structure of enterprises, as in many other countries, plays an important role here. For example, the number of employees in one industry is significant (processing and manufacturing), while in others the turnover is significant (construction, trade, services). Criteria vary for businesses operating in different sectors of the U.S. economy.

In the United States, family and home small businesses are more developed. At the same time, the concept of "home business" should not be overemphasized. There are types of business activities that can

be done entirely at home, and there are those that are only partially compatible with the home routine. In any case, family and home business is one of the types of small business.

Advances in science and technology have greatly expanded the scope of the organization's capabilities to the household. Currently, there are more than 200 types of activities in the home, family business. This traditionally includes home business, household services, handicrafts, education and business services. In particular, only 4.4% of all households in the United States are engaged in handicrafts; 11.8% in retail trade; finance, accounting, consulting and computer services account for 30% of all home business; the smallest share is 53.8% for construction, real estate, education, legal and health services.

In the United States, independent owners and businesses that do not dominate the commodity market are considered small businesses. In large-scale production, small and medium-sized firms are looking for special needs that come as subcontractors. In Western Europe, about half of the processing industry's output is produced by small and medium-sized enterprises. Without a monopoly, they focus their efforts on adapting to the internal conditions of production and sales. Transnational corporations allow them to test new products first and then move on to mass production. Small businesses will be replaced by new ones, which will be remanufactured.

A complex combination of different industries in size: large enterprises with a tendency to create monopoly structures and small enterprises created by many factors are typical of the modern economy. On the one hand, the concentration of production is a stable trend of scientific and technological progress. It is the large firms that have large material, financial, labor resources, and qualified personnel. They can carry out large-scale scientific and technological developments that mark important technological developments.

On the other hand, there has been a recent increase in the growth of small and medium enterprises, especially in areas that do not require large capital, large amounts of equipment, and large numbers of workers. This is especially true for science-intensive industries and consumer goods industries.

Thus, the main features that characterize enterprises as small enterprises are noted above. But it is important to analyze what key advantages a small business has.

The main advantages of small businesses include:

1. Strong customer interaction. This allows small businesses to quickly adapt to the needs of consumers and, consequently, to show flexibility. This forces the customer to choose exactly their product.
2. Ability to change regularly and be flexible. Strong competition between businesses, customer base and dependency between suppliers, and the search for new ways to reduce costs do not allow an organization to specialize in a narrow range.
3. Low unrealized costs. Small businesses that do not have an internal bureaucracy can keep these costs relatively low.
4. Innovative opportunities. Using the resources of outsiders, working small enterprises quickly adapt to the demand expressed by large enterprises and become a source of innovation in the economy.
5. Integration with other firms. Small businesses can join forces with other businesses to compete with their competitors.

For all its advantages, small businesses have clear disadvantages:

- high level of risk leading to instability of enterprises;
- dependence on large firms;
- incompetence of managers is not always high;
- high adaptability to changes in economic conditions;

- problems with obtaining cash resources and loans;
- Instability and prudence of enterprises in concluding contracts.

The main reason for failures is inexperience in doing business and maintaining business relationships and agreements. In the absence of working capital and cash, small businesses switch to the exchange of goods and services.

### Research methodology

The study of the processes of supporting small business development in the region was based on the method of quantitative study of its indicators, ie the collection, processing and analysis of data on its advantages. Normative-legal, sociological, statistical methods are the main scientific methods of research. The article used scientific methods of logic, statistical and comparative analysis, generalization, synthesis, induction and deduction.

### Analysis and results

A number of positive changes are taking place in Uzbekistan to create a favorable business environment and accelerate the development of entrepreneurship. In turn, important decisions have been made in the legislation on the state registration and registration of business entities, the automated system of state registration and accounting has been gradually developed and put into practice. applied. This is an important factor for the population and foreign investors to start and develop their own business. Small business is concentrated primarily in individual entrepreneurs and micro-firms, and its share in GDP in 2020 was 55.7%. In developed countries, the figure is 50-55%. Today, the number of small businesses is 14.4 units per 1,000 population. A practical program for the development of women and youth entrepreneurship in the regions has been developed and approved (Table 1).

**Table 1** Кичик бизнес ва хусусий тадбиркорликнинг улуши, жамига нисбатан % да<sup>1</sup>

Years	GDP	Industry	Construction	Employment	Export	Import
2000	31,0	12,9	38,4	49,7	10,2	22,8
2005	38,2	10,0	50,9	64,8	6,0	33,7
2010	60,8	26,6	52,5	74,3	13,7	35,8
2015	64,6	40,6	66,7	77,9	27,0	44,5
2016	66,8	45,3	66,9	78,2	26,0	46,8
2017	65,3	41,2	64,8	78,0	22,0	53,6
2018	62,4	37,4	73,2	76,3	27,2	56,2
2019	56,0	25,8	75,8	76,2	27,0	61,6
2020	55,7	27,9	72,5	74,5	20,5	51,7

Given the fact that small business is equally beneficial for each region and the indicators of business development, it can be said that this type of activity deserves state recognition and support. The transition to decentralized public administration has led to the need to set and achieve the goal of organizing and developing entrepreneurship in the country through the formation of a three-tier system of state support for entrepreneurship in the country at the state, regional and municipal levels. Within the framework of solving the tasks set at each level of management, a list of issues is discussed and resolved, and a list of them is determined based on the powers attached to the levels of management.

For example, in order to reduce licensing and permitting procedures in certain types of activities, an interagency working group on optimization of licensing and permitting procedures has been established,

<sup>1</sup> www.stat.uz



with a total of 62 (266 types of activities) available. licenses and 137 permits were completely checked and information-analytical information was entered. In particular, it is noted that high interest rates and many loans are short-term, unfavorable for the entrepreneur. In addition, foreign currency loans incur additional costs for the entrepreneur due to the constant growth of the exchange rate. Therefore, measures to increase the capital of banks have been identified. In particular, next year the banks will receive an additional \$ 600 million from the Fund for Reconstruction and Development on a market basis. doll. separated. 5 trillion in international financial markets. Eurobonds will be issued in the national currency. There will be ample opportunities for foreign banks to enter. Regardless of the currency in which banks attract resources, a system of lending to entrepreneurs in soums and at reasonable interest rates will be introduced. For this purpose, a currency risk management company and its branches in the regions will be established under the Ministry of Finance.

It is known that in the last three years, the number of taxes has decreased from 16 to 9. Interest payments to the Pension, School, and Road Funds were deducted from turnover, regardless of corporate profits, and amounted to at least 25-30 percent of corporate profits. Property, income tax and social tax rates have been halved. Until the adoption of the Law on Special Economic Zones in February 2020, the benefits provided to entrepreneurs registered in economic zones will be maintained. The procedure for refunding the excess value-added tax to the participants of special economic zones within 7 days will be introduced. This will allow them to increase their working capital.

In addition, no interest or collateral is required for entrepreneurs to pay value-added tax on imported goods in installments over a period of 120 days.

The tax rate for subsoil use for construction materials companies will be reduced by 2 times. Public catering establishments will be exempted from land and property taxes until the end of the year, and tourism companies and hotels will be exempted from tourist fees for a period of 2 years.

The law "On amendments and additions to some legislative acts of the Republic of Uzbekistan in connection with the improvement of the system of land allocation and use, as well as land registration and state land cadastre" was adopted on August 16, 2020 . It created a solid legal basis for the economic circulation of lands, their sale and pledge.

Special attention was paid to the provision of business entities with infrastructure. It was noted that from January 1 next year, the state will be fully responsible for the supply of electricity, natural gas, water and road infrastructure for projects worth 200 billion soums. To date, this privilege has been applied only to projects of foreign investors worth more than \$ 50 billion. Measures have been taken to reduce import duty rates for raw and semi-finished products. Privileges for the development of transport and logistics services, facilitation of cargo transportation of entrepreneurs have been extended for another 3 years. There are also a number of benefits to reduce interference in business and facilitate the process of obtaining subsidies. Through all of this, it is planned to implement measures to support small businesses, which may include co-financing from the national budget and local budgets. Further support is provided on a competitive basis for the following types of activities:

1. Develop and ensure the efficient operation of business incubators.
2. To support export-oriented small businesses and entrepreneurship, in particular:
  - Subsidizing interest rates on loans received by these enterprises from the banks of the republic for at least 3 years;
  - Subsidizing the share of costs to meet the requirements of importing countries;
  - Subsidizing the share of costs for the lease of exhibition space abroad.

3. Subsidies for leasing operations carried out by small businesses (guarantees, guaranteeing the cost of the guarantee).

If we talk about the infrastructure to support CT entities at the state level, they can include the following institutions (3):

1. Competition Development Committee.

2. The Ministry of Economy and Poverty Reduction is responsible for the implementation of important areas for the development of CT entities:

- "Support for small business and individual entrepreneurship";
- "The Start-up Entrepreneurship Support" Project will also simplify the initial stages of starting a business;
- Preferential lending program for small business.
- The program of subsidizing the local budgets of the republic from the state budget to provide state support to small businesses at the regional level.

Thus, a well-developed infrastructure to support small business will lead to the establishment and competitive position of small businesses<sup>2</sup>.

The following structures can be included in the system of support of CT entities in Uzbekistan:

- Departments of innovation development of administrative-territorial units;
- Departments of economic policy of administrative-territorial units;
- Regional Departments of Economy and Poverty Reduction;
- regional departments of science and education;
- regional property support, benefits, etc. structures;
- Territorial departments of employment and labor relations.

There are a number of organizations in the regions that provide direct advice, guarantees and financial support to CT entities:

- Microcredit organizations (guarantee and credit support) established by the Resolution of the Board of the Central Bank of the Republic of Uzbekistan "On coordination and regulation of microcredit organizations and pawnshops");
- regional "multifunctional center of state and municipal services", consulting and information support, registration of documents on the principle of "single window";
- Autonomous Center for Management and Culture, an autonomous non-profit organization (consulting support);
- Joint-stock company "corporate development" of the regions (consulting support).
- Territorial trade and industrial departments;
- Regions National Small Business Public Organization (consulting and legal support);
- Regional Public Organization "Center for Entrepreneurship Support" (consulting and information support);

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<sup>2</sup>Пейков А. М. Моделирование влияния инфраструктурных объектов на инновационную активность региона // Социально-экономические явления и процессы. 2016. №9. С. 54-58.

- Regional Women's Entrepreneurship Centers (counseling and information support).

Speaking about the situation of small business in Uzbekistan, the following information should be provided (Figure 1).

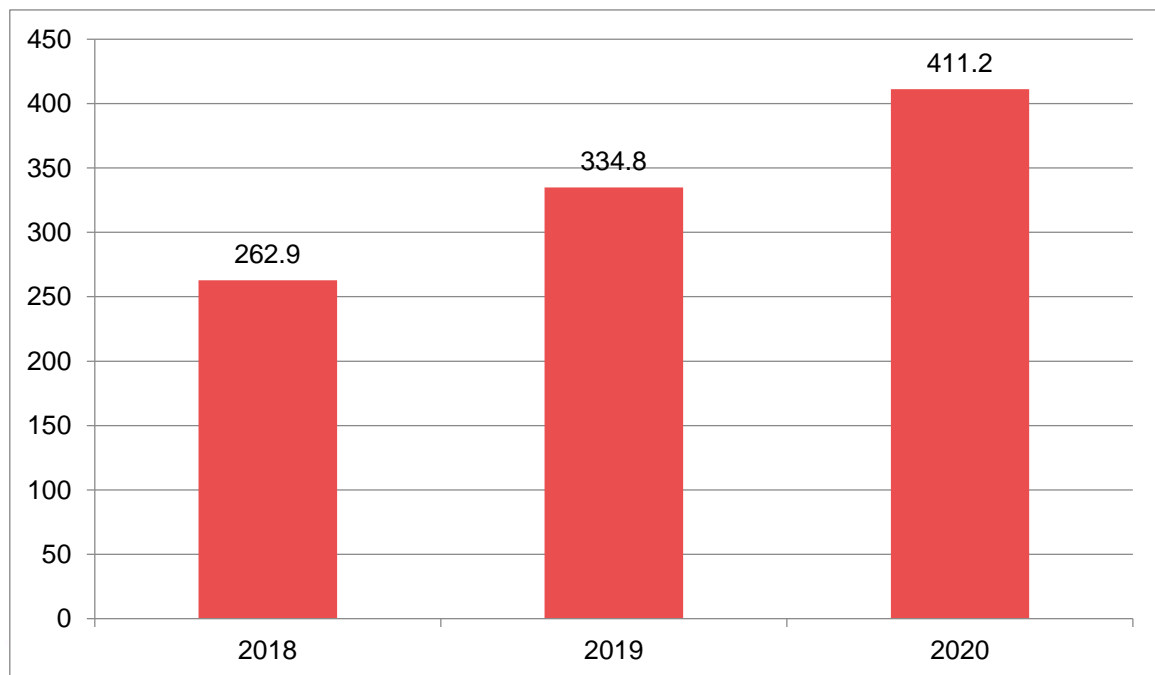


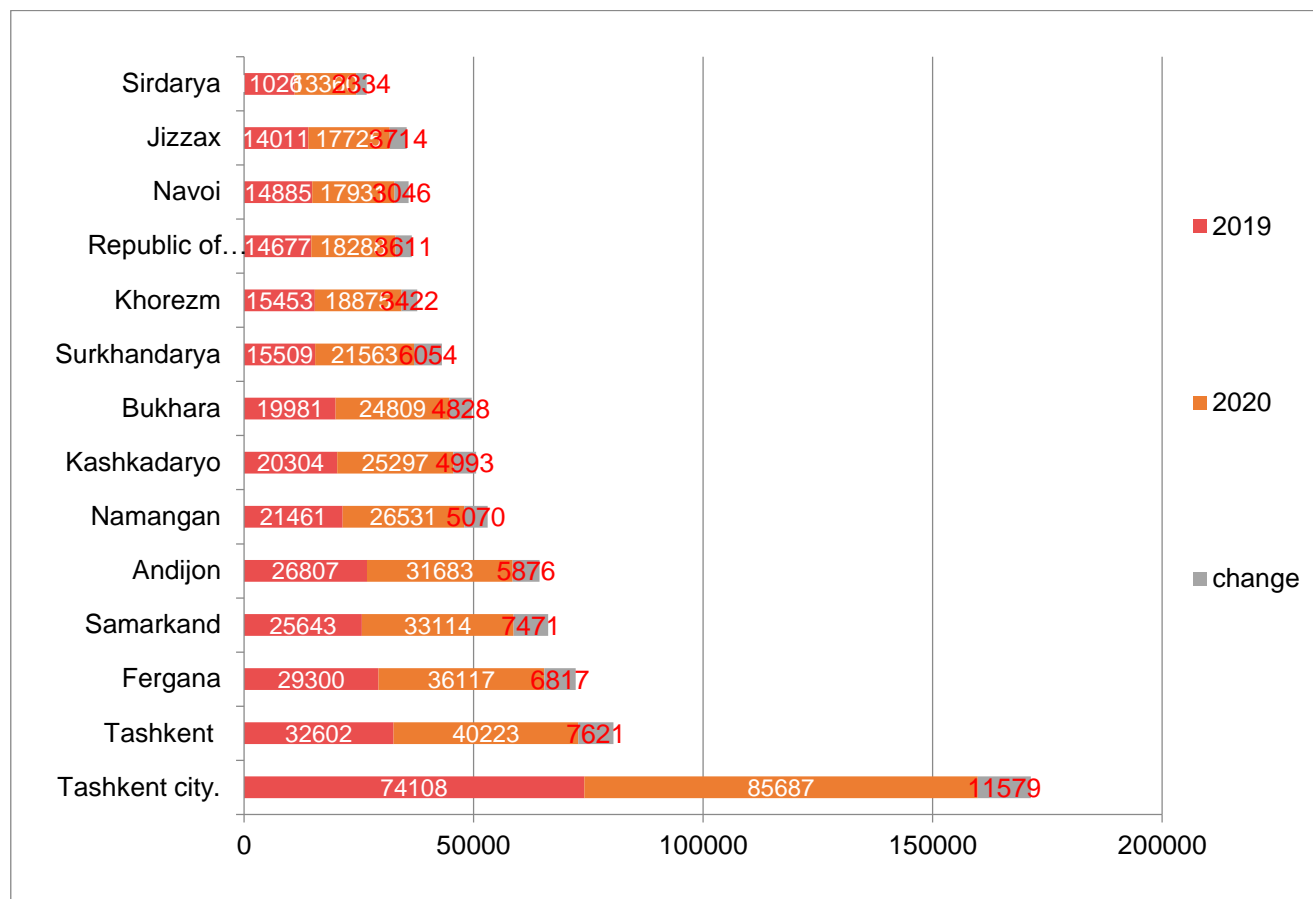
Figure 1. The number of small enterprises and micro-firms operating in Uzbekistan, thousand units

The analysis of the content of the Unified Register of Small Business Entities allowed to analyze the number of small enterprises and micro-firms as of January 1, 2021. During this period, the number of small businesses amounted to almost 411.2 thousand units. Compared to a similar figure in 2020, the number of small businesses increased by more than 22.8%.

In 2020, the number of small businesses and micro-firms operating in Uzbekistan amounted to 410.7 thousand units in the country, in 2019 this figure was 334.8 thousand units.

In addition, a study of small business in the regions of Uzbekistan reveals some key issues:





**Figure 2. Number of small businesses and micro-firms operating in the regions, in units**

1. Significant reduction in the number of individual entrepreneurs included in the statistical register of regional economic entities.
2. Decrease in the number of employees in small business due to the transition to informal employment.
3. Crisis negative effects on small business (labor shortage during the pandemic, disruption of the supply chain, reduced external and internal demand for products, limited liquidity, reduced lending, irreversible disruption of the chain of communication with partners).

The analysis of the existing system of support for small business development in the regions of the country showed the following. In order to expand the range of financial assistance provided to small businesses by small business support structures, it is necessary to develop a system of microcredit and improve the system of subsidizing lease payments. An analysis of the directions and measures to support small businesses shows that providing grants to start-ups remains the most sought after activity.

Despite the measures taken, it is necessary to develop a favorable business environment for citizens and to simplify their activities as much as possible for those who want to start their own business. In addressing this issue, it is worthwhile to focus on the issue of creating a "single point" of interaction between public authorities and entrepreneurs. For example, in many regions, the Multifunctional Centers for Public and Municipal Services may be such a structure. In most cases, it plays an important role in the regions and has enough space at its disposal to accommodate additional windows, where representatives of infrastructure facilities or authorities can provide services to business structures.

The formation of such integrated infrastructure facilities should also include the involvement of additional equipment by small business support centers, through which it is planned to provide consulting

and other services to small businesses. It should be noted that this type of service can be used by financial institutions, gas, electricity, heating, water supply and non-profit organizations, which pursue the interests of small businesses.

Analysis of the financial support of small business support centers in these institutions for the placement of negotiation rooms and halls, the conduct of business activities at the time of application, the demonstration of training audiences for trainings and seminars allowed us to draw conclusions about the availability of opportunities.

Establishment of an object of state and business interaction on the basis of small business support centers by opening additional windows for small businesses will further expand the list and quality of services provided and "single The principle of "window" allows small businesses to implement the practice of providing comprehensive services.

### Conclusion

In conclusion, it should be noted that the implementation of measures and directions to support small business in the regions of Uzbekistan should be strengthened in the following main areas:

1. Establish a system of self-regulation of small business in order to address the task of developing a favorable environment for the effective functioning of the business sector in all municipal structures of the region. In this direction, it is planned to organize informal public associations of entrepreneurs in municipal, urban districts and municipal districts on a territorial and sectoral basis. It should be noted that it is necessary to develop a mechanism for the separation of state powers between government agencies, infrastructure facilities and small business self-regulatory organizations, which is important for the management of public authorities and local governments in the region. plays a role.
2. Creation of a continuous mechanism of training for the organization and conduct of small business. Educational institutions should play a special role in this area, on the basis of which it is possible to create special structures and departments or special educational institutions, the activities of which will focus on the training of personnel for small businesses.
3. Create an effective system of infrastructure support for small businesses in the region. This direction may include not only the development of existing infrastructure, but also the creation of a single cluster of infrastructure support for small businesses in the region. It is advisable to continue participating in the small business development program proposed by the Ministry of Economy and Poverty Reduction to develop CT support infrastructure in the regions. Currently, a number of industrial parks are being established in the country. It is advisable to expand this practice by receiving subsidies from the state budget for infrastructure development.

In order to carry out effective activities to support small business, it is proposed to include the following additional measures in the small business development program:

1. Development of the mechanism of financial and credit support of small business by the following means:
  - support and venture financing of start-ups in the field of innovation;
  - Guarantees of loans and leasing agreements for the purchase of production equipment for small businesses;
  - Subsidizing the process of certification and implementation of quality management systems by small businesses;
  - providing financial support for small business development activities and infrastructure projects.

2. Development of a system of property support by participating in the establishment of engineering and technological centers to meet the general needs of small innovative and manufacturing enterprises in the region by giving small businesses free access to production infrastructure:

- Expansion of the structure of business incubators;
- Assistance in production, equipping with measuring equipment.

3. Development of regional infrastructure to support small business:

- Support of small business in the field of marketing, advertising and information through the existing marketing center within the interregional marketing center;
- to create conditions for the transfer of products and services provided by small businesses to new markets through the development of exhibition activities in the regions.

4. In order to develop a system of information support for small businesses, it is necessary to:

- It is necessary to create a unified information-analytical center, which will include various types of databases and information systems. This provides an easy way for small businesses to attract potential customers;
- Improving the mechanism of collecting information on small business activities;
- Formation and development of an open database to attract business partners.

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1. Law of the Republic of Uzbekistan dated may 25, 2000 "On guarantees of freedom of entrepreneurial activity"
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